October 18, 2021

Julie Sochacki
Andersen
71 S. Wacker Drive, Suite 2600
Chicago, Illinois 60606

Re: ████   - Private Letter Ruling

Dear Ms. Sochacki:

I am writing in response to your letter dated August 26, 2021 ("Request") (copy attached), requesting a private letter ruling ("PLR") concerning the application of the Chicago Personal Property Lease Transaction Tax ("Lease Tax"), Chapter 3-32 of the Municipal Code of Chicago ("Code"), to various products used by your client, ████████████████████████████

We have reviewed the Request and have discussed it with the Department of Finance. Based on the facts set forth in the Request, ████████ will not be required to pay Lease Tax on the products and tools listed in the Request with the exception of Actimize and Txtwire. Specifically, we agree that the following products are exempt from the Lease Tax under either Code Section 3-32-050(A)(10), as tools used to effectuate a loan of money, or Code Section 3-32-050 (11), where the charge is predominately for information transferred to the customer rather than for the customer's use of the computer: Amazon Web Services (Exemption 10), Various Tools Used in the Loan Origination Process (providers listed in Section II of your letter) (Exemption 10), Salesforce (Exemption 10), Cloud Lending (Exemption 10), DataRobot (Exemption 10) and Neuro ID, Inc. (Exemption 11). In addition, we agree that the charges for the Snowflake tool are exempt as fees for storage (Tax Ruling # 12(8)) and that the Braze and Five9 products are subject to the Telecommunications Tax.

We are of the view that Actimize and Txtwire are subject to the Lease Tax.

You state that Actimize is a fraud detection tool that is not used in loan origination. (Request p. 8.) Rather, it is used post-funding to monitor accounts for possible fraud. (*Id.*) The results can affect a customer's eligibility for future loans. (*Id.*) You cite Exemption 10 as the basis for seeking an exemption for this product.

Exemption 10 applies to "The non-possessory lease of a computer to effectuate the deposit, withdrawal, transfer or loan of money …, including any related review of accounts or investment options by the account owner, whether or not the parties to the lease are also parties to the
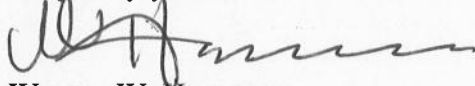
deposit, withdrawal, transfer or loan." Because the Actimize tool is used post-funding, it is not used to effectuate a loan of money and is not exempt under Exemption 10.

Txwire is a communication tool used 67% for marketing and 33% for loan process information, collections and other transactional messages. (Request p. 9.) Marketing is not part of the loan effectuation process, and therefore Exemption 10 does not apply. There is no basis in the Lease Tax ordinance or in the tax rulings for apportionment where a non-exempt use is less than 50% of the charge for the lease.

You also request, for any tools that are deemed taxable, apportionment to include tax only on the fees attributed to an employee's in-Chicago use. You note that Tax Ruling 12 provides for apportionment of Chicago and non-Chicago use. The use is presumed to be at the individual user's principal office location. Therefore, if your client chooses to apportion Chicago and non-Chicago use, it needs to be able to establish that it is entitled to the apportionment with complete and accurate books and records.

This PLR is based on the law as of the date of this letter and the facts as represented in the Request being true. The opinions contained herein are expressly intended to constitute written advice that may be relied upon pursuant to Code Section 3-4-325. If our rulings on any of these products should change, it will be on a prospective basis, with notice to █████████ Please be advised, however, that pursuant to Uniform Revenue Procedures Ordinance Ruling #3, Section 12, reliance on written advice in a PLR that is ten or more years old shall be deemed not reasonable unless ratified in writing by the Corporation Counsel's Office.

Very truly yours,

Weston W. Hanscom
Deputy Corporation Counsel
City of Chicago, Law Department
Revenue Litigation Division
2 N. LaSalle, Suite 440
Chicago, IL 60602
312-744-9077

cc: Elaine Herman, Department of Finance
        Susan Jordan, Department of Law

August 26, 2021

Mr. Weston Hanscom, Esq.
Deputy Corporation Counsel
Revenue Litigation Division
Chicago Department of Law
2 North LaSalle
Suite 400
Chicago, IL 60602

Re: Private Letter Ruling Request

Dear Wes:

On behalf of our client ▮▮▮▮▮▮▮▮, we respectfully request, from the City of Chicago Department of Finance ("Department"), a Private Letter Ruling ("PLR")to confirm exemption under the Chicago Personal Property Lease Transaction Tax ("LeaseTransaction Tax") found at Chapter 3-32 of the Municipal Code of Chicago ("MCC") with respectto fees and other charges that ▮▮▮▮▮▮▮ pays to certain providers for nonpossessory computer leases.

Described below are our client's facts as well as a description of the purchases made which we believe fall under one or multiple exemptions within the Lease Transaction Tax code, as described below in the Applicable Law and Discussion sections. We are asking the Department to provide clarification about 1) the taxability of specific SaaS tools listed below and 2) how ▮▮▮▮▮▮▮ should apportion receipts based on remote use.

FACTS

▮▮▮▮▮▮▮ is a financial lending company that offers an online platform for originating and servicing unsecured installment loans directly to applicants/customers ("customers").

Customers, located throughout the U.S., must apply for a loan online via a secure platform which is accessed through ▮▮▮▮▮▮▮ website. ▮▮▮▮▮▮▮ website is hosted by Amazon Web Services (AWS) which is described more below. There are no mobile apps, paper forms, or other means for applying for a loan. The customer logs into a secure application platform that is hosted by AWS on servers located outside of Chicago. The application platform is integrated with various Software-as-a-Service (SaaS) tools that are used to automate the verification of data provided in the application, and automate the decision to accept or deny a loan.

██████████ advertises the possibility of next day funding, which requires a robust, rapid, and automated process for approving loans.

██████████ estimates that in 2020, there were 1,610,839 applications processed through their platform. Fifty percent of applications are automatically denied without input, modification, or retrieval of data from ██████████. The applications are from customers who reside throughout the U.S., with ██████████ estimating that 1.50% are for individuals residing in Chicago.

The loan origination/effectuation process begins when a customer submits an online application. The customer provides personal information, including particulars about their income and banking details. Upon submission of this information, various processes run automatically, and numerous SaaS tools are accessed for specific purposes (i.e., verification of income, checking for bankruptcy history, etc.). As described below, these tools are accessed automatically upon customer application submission <u>without</u> the input, modification, or retrieval of data by ██████████. ██████████ estimates that approximately 20% of loans that are applied for are processed and approved automatically without manual intervention from ██████████ employees.

Customers can log into the platform through the ██████████ website to review their account balance and contract, make payments, upload documents, review loan details, access payment schedule and history, and view refinancing eligibility. Loan activity/payments are monitored by a specific SaaS tool (Actimize) described below for anti-money laundering detection and identification of potential fraud. Any potential fraud or money-laundering activity is sent to the bank partners who have a regulatory requirement to report this information.

██████████ recognizes that not all SaaS tools used in their business will be exempt. For example, ██████████ uses SaaS applications to input and retrieve financial operational data. We are not requesting a ruling on any non-exempt tools. However, many of their tools are used in a manner that appear to be exempt and they are therefore requesting clarification from the City.

We have identified the following categories of SaaS functionality to which an exemption should apply, and identified specific vendors that currently provide these tools:

I.   Amazon Web Services
II.   Tools Used in the Loan Origination Process – Various Providers
III.   Salesforce
IV.   Cloud Lending
V.   Neuro ID, Inc.
VI.   DataRobot
VII.   Actimize

VIII. Snowflake Inc.
IX. Communication Tools – Various Providers

Each category is discussed below. Following this section, we have included tax law and discussion as to why these purchases should fall under one of the possible exemptions.

I. <u>Amazon Web Services (AWS)</u>

AWS is a comprehensive cloud computing platform that includes a mixture of infrastructure as a service (IaaS), platform as a service (PaaS) and packaged SaaS offerings. AWS services offer an organization tools such as compute power, database storage and content delivery services. This tool provides secure, on-demand cloud computing and APIs to ███████████ on a metered pay-as-you-go basis. The provider's computer hardware that supports these features is stored on servers outside of Chicago and replaces the need for an internal infrastructure used by ███████████. AWS provides a map of their global infrastructure, which we have included below, showing no infrastructure located in Chicago.

AWS Global Infrastructure Map

AWS now spans 77 Availability Zones within 24 geographic regions around the world and has announced plans for 18 more Availability Zones and 6 more AWS Regions in Australia, India, Indonesia, Japan, Spain, and Switzerland.

○ Regions
○ Coming Soon

███████████ website, and the SaaS tools used in the online loan application, are hosted on the servers located outside of the City (see map above). Generally, only the customer is accessing the website to apply for a loan. Other SaaS tools integrate with and/or use this platform/server aswell to process the loan application as part of an automated process. **In most cases the access**

to these other SaaS solutions is only through AWS and not through terminals located in Chicago. For example, customer application data is sent from AWS to various integrated SaaS tools to validate banking information or verify bankruptcy history for loan origination/vetting purposes (described in various categories below). Collected data is also sent from the platform to a SaaS tool (Salesforce) that compiles data about the customer and manages customer information for further utilization in the loan origination/vetting process. Content/communication that is delivered to customers for purposes of originating/vetting a loan also runs through tools on this platform.

██████████ contracts with AWS because it is necessary to their business model. For example, ██████████ needs the scalability provided by AWS. If ██████████ had its own data center,and experiences a massive influx of applications, they would not have the infrastructure necessary to manage the volume and would need to buy additional equipment, which would take a significant amount of time to integrate. This process would impede their ability to provide loan funding in as quick as the next business day, as offered on their website. **Loan effectuation is not possible without the functionality provided by AWS.**

II.   Tools Used in the Loan Origination Process

There are numerous SaaS tools that provide functionality that is required as part of the loan effectuation process, and that are used to determine if a loan is accepted or denied. These tools are integrated with the platform and run <u>automatically</u> once a customer submits an online application, with no access, input, modification, or retrieval of data by ██████████s from a terminal in Chicago. The only access occurs from within AWS, via the customer application, which is located outside of Chicago. These tools are described as follows:

a.   <u>Instant Bank Verification (IBV) Tools (Plaid Inc., Microbilt, Decision Logic):</u>
Information entered into the online application by the customer is automatically pushed to these SaaS applications for verification of specific customer information such as bank ownership (account number, account owner, and routing number), income, employer, pay frequency and pay dates. Information from the verification process is returned to the loan application and customer management solution tool described below (Salesforce, see Section III). A custom-built algorithm then automatically runs to determine if information on the application matches the results of the verification tools. The algorithm for reading and matching the information was built by TAXPAYERs and sits in ██████████ AWS environment. If information submitted matches, then a loan is automatically approved (pending the other verification steps). Neither ██████████ employees, nor customers, access, enter,

manipulate, or retrieve data from these tools. The access is initiated between AWS, which is located outside of the City, and the respective SaaS applications.

If there are any discrepancies found between the application and the IBV process, the application is automatically flagged and a ████████████ Loan Advocate (e.g., employee) will then contact the customer to verify the information, which may result in the customer uploading supporting documents (paystub, bank statement, benefit letter) through ████████████ website. The Loan Advocate does not access these IBV SaaS tools, but responds to automatic information sent by these tools which is stored in Salesforce (see Section III below).

b. Bankruptcy Verification Tools (BankruptcyWatch and PACER):

Information entered into the online application by the customer is automatically pushed to BankruptcyWatch to verify whether or not the customer has ever filed for bankruptcy. BankruptcyWatch provides a collection of web services, web pages, subscription services, PDF data extraction and information storage services that allows ████████████ to interact with the PACER system to view information about cases, claims, creditors, filings, and parties contained in the PACER system, to view and download documents contained in the PACER system and to extract information from the PDFs of PACER documents. BankruptcyWatch integrates with PACER to check bankruptcy history. BankruptcyWatch sends PACER the customer's social security number. PACER then sends back data regarding any bankruptcy information, such as which bankruptcy chapter was filed and bankruptcy dismissal date, if any. BankruptcyWatch writes the received data to a database, which is then used to make a credit decision either to pass or deny the loan. If there is no bankruptcy history, then a loan is automatically approved (pending other verification steps) without access, input, modification, or retrieval of data by ████████████ from a terminal in Chicago.

In the event that the automatic bankruptcy process cannot be run using BankruptcyWatch, PACER is accessed directly by Loan Advocates, who are able to run a manual bankruptcy history search. The search provides the same results described above for the automatic process.

Loan effectuation is not possible without the functionality provided by these tools.

III.   <u>Salesforce</u>

Salesforce is a SaaS solution that is used in the loan application process and to assist with customer management. It is specifically used in the origination and servicing of loans and in reviewing customer accounts. Salesforce captures information from the customer application and results from other SaaS tools, and allows for a view of customer data in a single setting.

When an application is entered by the customer, the information is automatically sent to Salesforce and data is populated <u>without</u> input, modification, or retrieval from ██████████ employees. The information gathered from both the customer application and the other SaaS tools are used by Salesforce to consolidate customer information thereby creating a customer profile/account. Most information necessary for the lending process, starting from the application through the final decision making and acceptance, is stored and reviewed within Salesforce.

██████████ employees use Salesforce to review customers account and update certain information for purposes of approving a loan. See Section VII (Actimize) below for an example of a ██████████ employee updating Saleforce with possible alert information from the fraud detection process. The Loan Advocate will assess information in Salesforce and may contact the customer for further verification. Since this tool compiles all data for customers throughout the entire loan process, account and customer management is dependent on its functionality.

Loan effectuation is not possible without the functionality provided by these tools.

IV.   <u>Cloud Lending</u>

Cloud Lending is a lending platform that allows ██████████ to manage every step of the lending cycle on a single system, including origination, underwriting, servicing, and collection. Cloud Lending is the backbone behind Salesforce, and enables ██████████ to offer online lending applications and suitable loan offers. This tool provides models necessary for the lending process, and provides information and services such as payments and fees, interest structures, and payment generation. ██████████ Engineering Team are the only employees with direct access to Cloud Lending. These employees access this tool to write custom logic to supplement Cloud Lending's functionality.

Loan effectuation is not possible without the functionality provided by this tool.

V.   Neuro ID, Inc.

████████████ platform accesses a SaaS tool named Neuro ID that is an underwriting/analytics tool used as part of ████████████ proprietary underwriting process, and runs automatically to provide a Confidence Score ("N-CS") for the customer, currently on a scale from 1.0 to 99.0, which is delivered via real-time API. The provided score influences the loan origination (underwriting) process for each application and is used to determine what levels of verification are needed to complete the application process. Low-risk applicants with a strong N-CS score are allowed to skip verification steps such as providing a pay stub or linking their bank account transactions for review. This leads to a faster funding process for the top applicants and ensures that the underwriters can focus attention on the applications with possible issues. Additionally, this tool measures end-user behavior and confidence when responding to questions within the online application process. It monitors and tracks behavior activities such as if a customer lingers on a field for a period of time, or if a customer entered an amount as income, and later returned to that field and changed the value. Neither customers nor employees directly access this tool, and as such, there is no input, modification, or retrieval of data from ████████████ from a terminal in Chicago. The N-CS is automatically generated when an application is submitted, and the score is pushed to Salesforce and stored in field within Salesforce, as described above. The results from this tool are used in an overall measurement of the customer and in determining if the loan is approved.

Loan effectuation is not possible without the functionality provided by this tool.

VI.   DataRobot

Once all the application data, and information from the processes described above, are collected in Salesforce, ████████████ uses its data modeling SaaS tool to further decide whether a loan is approved or denied. The SaaS tool used for data modeling is DataRobot.

DataRobot is a machine learning platform used to configure data models that are part of the underwriting process. ████████████ employees write the code within this tool that will run the data models. These models automatically help to determine risk, capacity for customers' ability to pay the loan, need to assess credit history, and provide other measurements for purposes of loan origination.

Before this step, various scores have been assigned to the customer based on individual processes run through the various SaaS solutions (i.e., from the tools described above). The data models in DataRobot compile the customer's data and automatically provide an overall underwriting score (UW14) that is unique to each customer. ████████████ employees do not access

DataRobot to obtain this score, it is sent automatically to Salesforce. This is the majority of DataRobot's usage (i.e., via the platform's API to DataRobot). The score is then used to help determine if a customer qualifies for a loan or if further information is needed. Of the customers that progress to this point of the process without being denied, approximately 20%-30% will be denied at this step using this tool.

Only a limited number of ████████ employees have direct access to DataRobot, and only use this tool to configure models. This tool sits on DataRobot's platform and not in ████████ AWS environment.

This tool is used prior to the loan approval and is a required step in the process. **Loan effectuation is not possible without the functionality provided by this tool.**

VII.   Actimize

Actimize is a robust, integrated Anti-Money Laundering (AML)-Fraud SaaS platform. This tool helps to automatically detect and prevent fraud, manage regulatory compliance, and identify money laundering threats. Actimize is not used in the loan origination process. Rather, it is a post-funding surveillance tool, which monitors active loan accounts and monitors payment activity.

████████ sends a daily feed of data to Actimize, via an API, which then processes the data against rules within its system. Data is used to assess suspicious activity. Customers' attributes are scored to determine whether they are classified as high-risk which could result in further due diligence and investigation.

Actimize does not send information or alerts directly to ████████. ████████ employees log into Actimize to see the alerts, and use these alerts to investigate the potential fraud. ████████ Investigation Team will then manually flag the customer's profile in Salesforce. The flagging for ineligibility that results from an investigation originating out of Actimize is completed prior to any bank-partner reporting and is the result of a determination that a customer has exhibited suspicious activity and is no longer eligible for future loans. Investigations with suspicious reportable activity are then reported to the bank partners. Potential fraud and money-laundering information is required by the bank partners to meet their regulatory requirements. The investigation can result in a customer's ineligibility for future loans or refinancing.

In a 90-day period there are approximately 1,500 activity related alerts and 60 potential high-risk customers that are flagged.

VIII.   Snowflake, Inc.:

Snowflake is a cloud-based data warehouse which runs on AWS. It allows ▮▮▮▮▮▮▮ to store and collect all operational system data including customer information, transaction metrics website analytics and finance data. This tool is the central depository for ▮▮▮▮▮▮▮ data.

Snowflake functions as a data warehouse; it does not participate in the decision process for denying or accepting a loan but rather stores the results of such efforts. The data that is stored in this tool is stored indefinitely. Billing is based on the amount of space utilized.

IX.   Communication Tools (Five9 Inc, Braze, and Txtwire):

▮▮▮▮▮▮▮ uses various SaaS tools to communicate with its customers. One tool, Five9, isa telephony solution that allows for ▮▮▮▮▮▮▮ employees, who are located in Chicago, to speak to customers or anyone who calls ▮▮▮▮▮▮▮ phone number on the company website. Based on areview of a recent invoice, Five9 charges the Telecommunications Tax on ▮▮▮▮▮▮▮ invoices.

Another SaaS tool, Braze, is used to generate messages to send via email and texts (i.e., Short Message Service (SMS)) to ▮▮▮▮▮▮▮ customers. ▮▮▮▮▮▮▮ employees access Braze to create messages, schedule messages, create customers groups, and run and export reports. Messages are sent throughout the loan process, for instance, to inform customers that information may be missing from the application or alerting a customer that an application has been started and not finished. In addition, SMS messages and emails are sent to ask the customer to refer TAXPAYERs to other people, or TAXPAYERs may also send messages asking about additional loan needs or refinancing. Based on a review of a recent invoice, Braze charges the Telecommunications Tax on ▮▮▮▮▮▮▮ invoices.

Braze uses a SaaS tool named Txtwire to send SMS messages and uses a different provider named SendGrid to send email messages. ▮▮▮▮▮▮▮ estimates that approximately 67% of the messages are for marketing purposes whereas 33% are for loan process information, collections, and other transactional messages.

APPLICABLE LAW

Chicago imposes a Lease Transaction Tax on the lease or rental in the City of personal property, or the privilege of using in the City personal property that is leased or rented outside the City. MCC §3-32-030(A). The term "lease" or "rental" means any transfer of the possession or use of personal property, but not title or ownership, to a user for consideration, whether or not designated as a lease, rental, license, or by some other term, and includes a "nonpossessory lease." "Nonpossessory lease" specifically includes "nonpossessory computer lease." MCC §3-32-020(I).

"Nonpossessory computer lease" means a nonpossessory lease in which the customer obtains access to the provider's computer and uses the computer and its software to input, modify or retrieve data or information, in each case without the intervention (other than de minimis intervention) of personnel acting on behalf of the provider. MCC §3-32-020(I).

In the case of a nonpossessory computer lease, the location of the terminal or other device by which a user accesses the computer shall be deemed to be the place of lease or rental and the place of use of the computer for purposes of the tax imposed by this chapter. MCC §3-32-020(I).

"Use" by a lessee includes not only the use of personal property directly by the lessee but also the use of personal property by the lessee's agents, representatives, or other authorized designees. MCC §3-32-020(R).

The Lease Transaction Tax ordinance provides several exemptions, such as:

1. Exemption #10 states that the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or *loan of money* or securities, *including any related review of accounts* or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter. MCC §3-32-050(A)(10).

2. Exemption #11 states that the nonpossessory lease of a computer in which the customer's use or control of the provider's computer is de minimis and the related charge is *predominantly for information transferred to the customer rather than for the customer's use or control of the computer,* such as the nonpossessory lease of a computer to receive either current price quotations or other information having a fleeting or transitory character shall be exempt from the tax imposed by this chapter. MCC §3-32- 050(A)(11).

3. Exemption #11, Tax Ruling #12 clarifies the following:

- If a lessee (commonly referred to as "customer") pays a lessor (commonly referred to as "provider") primarily for the ability to use the provider's computer to input, modify or retrieve data or information, the charge is primarily for the customer's use or control of the provider's computer and is taxable. Tax Ruling #12 (6).
- Examples of taxable transactions include: to obtain consumer credit reports (see Personal Property Lease Transaction Tax Ruling # 9 (June 1, 2004)). Tax Ruling #12(6)(b).
- Charges for storage of customer information not subject to lease tax: "charges for the storage of information on the (provider's) computer by the user, which will be used at a later date by the user, and not in the immediate processing of information, shall be deemed a usage of the computer at the computer location and not at the access terminal; because this is not an actual use of the computer by means of an access terminal but instead is a charge for storage at the computer location. If at a later date, a charge is made for accessing the stored information from a terminal located in Chicago, such access charge would be taxable." Thus, charges for storing a customer's data on the provider's computer are not subject to lease tax if the provider's computer is outside of the City, so long as the charges are solely for storage. Tax Ruling #12(8).

4. Apportionment for use outside the City:

"Use" means the exercise of any right to or power over personal property by a lessee incident to the lease or rental of that property including, but not limited to, the permanent or temporary storage, stationing or garaging of personal property by the lessee. "Use" by a lessee includes not only the use of personal property directly by the lessee but also the use of personal property by the lessee's agents, representatives, or other authorized designees. MCC §3-32-020(R).

The location of the terminal or other device by which a user accesses the computer shall be deemed to be the place of lease or rental and the place of use of the computer for purposes of the tax imposed by this chapter. MCC §3-32-020(I). Thus, Code Section 3-32-050(A)(l), which exempts "[t]he use in the city of personal property leased or rented outside the city if the property is primarily used (more than 50 percent) outside the city", does not apply to nonpossessory computer leases. Chi. Dept. of Rev. Personal Property Lease Transaction Tax Ruling, No. 12, 06/09/2015.

Where a customer has some employees _or other individuals_ who use the provider's computer from terminals or devices located in Chicago, and some employees or other

individuals who use the provider's computer from terminals or devices located outside of Chicago, a charge that covers both the Chicago use and the non-Chicago use should be apportioned. For any given individual assigned an access code, seat, license, or other ability to use the provider's computer, all of that individual's use will be presumed to take place at the individual's principal office location. Tax Ruling #12(17).

Where the customer's location is not otherwise clear, the Department will utilize the rules set forth in the Mobile Telecommunications Sourcing Conformity Act, 35 ILCS 638. This is the same set of rules used by telecommunications companies for sourcing mobile telecommunications. In general, it means that the Lease Tax will apply to customers whose residential street address or primary business street address is in Chicago, as reflected by their credit card billing address, zip code or other reliable information. Chi. Dept. of Rev. Personal Property Lease Transaction Tax Ruling, No. 12, 06/09/2015.

DISCUSSION

SaaS that falls under Exemptions #10 and/or #11

I.   <u>Amazon Web Services (AWS)</u>

████████ believes that this tool is not subject to the Lease Transaction Tax for the following reasons:

- As stated in Exemption #10 above, the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or _loan of money_ or securities, _including any related review of accounts_ or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter.
    - o   AWS is used exclusively to host and run ████████ loan application/approvalprocess. AWS also integrates with other SaaS tools that are also used to effectuate a loan. AWS provides the scalability necessary for ████████ business model, which allows ████████ the ability to provide loan funding asquick as the next business day. Without the functionality provided by this tool, loan applications would not be submitted via ████████ website, and processes necessary to effectuate a loan cannot be run.
- Exemption #11 states that the nonpossessory lease of a computer in which the customer's use or control of the provider's computer <u>is de minimis</u> and the related charge is predominantly for information transferred to the customer rather than for the customer's use or control of the computer, such as the nonpossessory lease of a computer to receive either current price quotations or other information having a fleeting or transitory character shall be exempt from the tax imposed by this chapter. MCC §3- 32-050(A)(11).
    - o   AWS is the platform that allows ████████ to operate their loan application process. It also provides a platform in which all other SaaS tools used in the loan process are housed. ████████ use and control of AWS is de minimus as AWS is primarily used for transferring information to and from ████████ and not for ████████ use or control of AWS.

II.   <u>Tools Used in the Loan Origination Process (Plaid Inc., Microbilt, DecisionLogic, BankruptcyWatch, and Pacer)</u>

████████ believes that these tools are not subject to the Lease Transaction Tax for the following reasons:

- As stated in Exemption #10 above, the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or *loan of money* or securities, *including any related review of accounts* or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter.
  - These SaaS tools are integrated into the loan application (i.e., AWS). Plaid, Microbilt, and DecisionLogic are IBV tools that automatically verify a customer's information such as bank ownership, income, employer, pay frequency and pay dates. BankruptcyWatch and PACER are tools that verify whether an applicant has or is currently filing for bankruptcy. The information provided by these tools are used to determine whether ▮▮▮▮▮▮▮▮ will proceed with the loan. These verification tools are essential for the loan effectuation process.
- Exemption #11 states that the nonpossessory lease of a computer in which the customer's use or control of the provider's computer <u>is de minimis</u> and the related charge is predominantly for information transferred to the customer rather than for the customer's use or control of the computer, such as the nonpossessory lease of a computer to receive either current price quotations or other information having a fleeting or transitory character shall be exempt from the tax imposed by this chapter. MCC §3- 32-050(A)(11).
  - The tools described above, with the exception of the manual searches performed in PACER, run automatically as part of the loan origination/application process with no <u>input, modification or retrieval of data or information</u> by a ▮▮▮▮▮▮▮▮ employee located at a terminal in Chicago. As such, ▮▮▮▮▮▮▮ use and control of these tools is de minimus, and <u>the related charge is predominantly for information transferred to</u> ▮▮▮▮▮▮▮ <u>rather than</u> <u>for</u> ▮▮▮▮▮▮▮ <u>use or control of the computer</u>.

III. <u>Salesforce</u>

▮▮▮▮▮▮▮ believes that this tool is not subject to the Lease Transaction Tax for the followingreason:

- As stated in Exemption #10 above, the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or *loan of money* or securities, *including any related review of accounts* or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter.

- Salesforce is used to capture customer application information and results from other SaaS tools. This allows ███████████ to review customer informationin a single setting. The account review process is integral to ███████████ business. Without the functionality provided by this tool, servicing and review of customer accounts is not possible.

IV. Cloud Lending

███████████ believes that this tool is not subject to the Lease Transaction Tax for the following reasons:

- As stated in Exemption #10 above, the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or _loan of money_ or securities, _including any related review of accounts_ or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter.
  - Cloud Lending is the backbone of the loan origination process, and is what allows ███████████ to offer an online lending and rapid lending offers. CloudLending is a vital SaaS tool to ███████████ business as it is part of lending structuring process. Loan effectuation is not possible without this tool.
- Exemption #11 states that the nonpossessory lease of a computer in which the customer's use or control of the provider's computer is de minimis and the related charge is predominantly for information transferred to the customer rather than for the customer's use or control of the computer, such as the nonpossessory lease of a computer to receive either current price quotations or other information having a fleeting or transitory character shall be exempt from the tax imposed by this chapter. MCC §3- 32-050(A)(11).
  - With the exception of ███████████ Engineering Team, ███████████ employees do not have direct access to Cloud Lending as it is running functionality on the AWS platform. ███████████ use and control of this tool is de minimis, andthe related charge is predominantly for information transferred to ███████████ rather than for the ███████████ use or control of the computer.

V.   Neuro ID

████████ believes that this tool is not subject to the Lease Transaction Tax for the followingreasons:

- As stated in Exemption #10 above, the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or _loan of money_ or securities, _including any related review of accounts_ or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter.
  - o Neuro ID provides a score, not a credit report, to help assess behavior and confidence of a customer, and help determine whether a customer qualifies for a loan. This tool is used prior to the loan being approved/denied and is a required step in the automated approval process. Loan effectuation is dependent on the results of this tool. The provided score influences the loan origination process for each application and is used to determine what levels of verification are needed to complete the application process. Low-risk applicants with a strong N-CS score are allowed to skip verification steps such as providing a pay stub or linking their bank account transactions for review. This leads to a faster funding process for the top applicants and ensures that the underwriters can focus attention on the applications with possible issues. The results of this tool are necessary and part of the lending decision process.
- Exemption #11 states that the nonpossessory lease of a computer in which the customer's use or control of the provider's computer is de minimis and the related charge is predominantly for information transferred to the customer rather than for the customer's use or control of the computer, such as the nonpossessory lease of a computer to receive either current price quotations or other information having a fleeting or transitory character shall be exempt from the tax imposed by this chapter. MCC §3- 32-050(A)(11).

    Neuro ID runs automatically as part of the loan origination/application process, and information is pushed from this tool to a field within Salesforce. Neither customers nor employees directly access this tool, and as such, there is no input, modification or retrieval of data or information by a ████████ employee located at a terminal in Chicago. ████████ use and control of this tool is de minimus, and the related charge is predominantly for information transferred to ████████ rather than for ████████ use or control of the computer.

    Additionally, the information sent by Neuro ID is fleeting or transitory in character. The N-CS score, which is the information pushed to Salesforce from Neuro ID, is dependent on how the application information in entered. Therefore, Neuro ID will send a different N-CS score for the same customer entering an application at different times.

    The City provides an example of a SaaS tool that provides stock prices as

qualifying under this exemption. The SaaS tool monitors sales activity of stock transactions and pushes the stock price that occurred at the time of the sale activity. Similarly, NeuroID monitors the applicant's behavior activity and pushes the score that occurred at the time of the activity. The results are for a specific moment in time, much like the information sent on a ticker tape is published for a specific stock, and for a specific moment in time. As such, the related charge for NeuroID is *predominantly for information transferred to the customer (e.g., behavior activity score) rather than for the* customer's use or control of the computer. Such use of a nonpossessory lease of a computer to receive information having a fleeting or transitory character should be exempt under Exemption 11. MCC §3-32- 050(A)(11).

VI.   DataRobot

███████████ believes that this tool is not subject to the Lease Transaction Tax for the followingreason:

- As stated in Exemption #10 above, the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or *loan of money* or securities, *including any related review of accounts* or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter.
  - DataRobot generates an overall score with data received from other SaaS tools. ███████████ uses DataRobot to create data models that will compile datato generate an overall score. This tool is used prior to the loan being approved/denied and is a required step in the automated approval process. Loan effectuation is dependent on the results of this tool.
- Exemption #11 states that the nonpossessory lease of a computer in which the customer's use or control of the provider's computer is de minimis and the related charge is predominantly for information transferred to the customer rather than for the customer's use or control of the computer, such as the nonpossessory lease of a computer to receive either current price quotations or other information having a fleeting or transitory character shall be exempt from the tax imposed by this chapter. MCC §3- 32-050(A)(11).
  - With the exception of ███████████ employees that configure data models, employees and customers do not have direct access to DataRobot as it is running functionality on their platform. ███████████ use and control of this tool is de minimis, and the related charge is predominantly for informationtransferred to ███████████ rather than for ███████████ use or control of the computer.

VII.   <u>Actimize</u>

████████ believes that this tool is not subject to the Lease Transaction Tax for the following reason:

- As stated in Exemption #10 above, the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or <u>*loan of money*</u> or securities, <u>*including any related review of accounts*</u> or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter.

    o Actimize is a SaaS tool that helps automatically detect and prevent fraud, manage regulatory compliance, and identify money laundering threats,

    Although Actimize is not used in the loan origination its results can affect a customer's eligibility for a future loan. ████████ will flag a customer's profileif, as a result of the alerts and investigation, there was suspicious activity.
    Anti-money laundering and fraud detection are key components of the account review process. Potential fraud and money-laundering information is required by the bank partners to meet their regulatory requirements.

VIII.   <u>Snowflake</u>

████████ believes that this tool is not subject to the Lease Transaction Tax for the followingreason:

- Tax Ruling #12(8) states that charges for storage of customer information is not subject to lease tax: "charges for the storage of information on the (provider's) computer by the user, which will be used at a later date by the user, and not in the immediate processing of information, shall be deemed a usage of the computer at the computer location and not at the access terminal; because this is not an actual use of the computer by means of an access terminal but instead is a charge for storage at the computer location. If at a later date, a charge is made for accessing the stored information from a terminal located in Chicago, such access charge would be taxable." Thus, charges for storing a customer's data on the provider's computer are not subject to lease tax if the provider's computer is outside of the City, so long as the charges are solely for storage.

    o Snowflake is ████████ data warehouse, where information from variousSaaS tools are stored. Snowflake runs on AWS which has servers located outside of Chicago. As such, the storage exemption should apply.

IX.   Communication Tools (Five9 Inc., Braze, and Txtwire)

██████████ believes that this tool is not subject to the Lease Transaction Tax for the followingreason:

- As stated in Exemption #10 above, the nonpossessory lease of a computer to effectuate the deposit, withdrawal, transfer or *loan of money* or securities, *including any related review of accounts* or investment options by the account owner, whether or not the parties to the lease also are parties to the deposit, withdrawal, transfer or loan shall be exempt from the tax imposed by this chapter.
  - o   The percentage of provider fees that pertain to customer communication, and not marketing messaging, should be apportioned as exempt. Communication with the customer is integral in effectuating a loan.

SaaS that is Fully or Partially Exempt Due to Apportionment

Any SaaS tools which are deemed taxable, and which have users both in the City and outside of the City, should be apportioned to only include tax on the fees attributed to in-City use. "Use" by a lessee includes *not only the use of personal property directly by the lessee* but also the use of personal property by the lessee's agents, representatives, or other authorized designees. MCC §3-32-020(R). Where a customer has some employees *or other individuals* who use the provider's computer from terminals or devices located in Chicago, and some employees or other individuals who use the provider's computer from terminals or devices located outside of Chicago, a charge that covers both the Chicago use and the non-Chicago use should be apportioned. For any given individual assigned an access code, seat, license, or *other ability to use the provider's computer, all of that individual's use will be presumed to take place at the individual's principal office location.* Tax Ruling #12(17).

Many tools are used directly or indirectly by ▮▮▮▮▮▮▮▮ customers by way of being automatically run when an application is submitted (i.e. via AWS). When the application is submitted, the customer provides explicit consent to ▮▮▮▮▮▮▮▮ Terms & Conditions as to how information will be used. Without agreeing to the Terms & Conditions, the customer cannot be an authorized user to submit an application. The IBV tools used in the origination process require additional consent from the customer when the bank credentials are submitted. There may be tools not specifically described in this PLR that are used in this manner, or used by both ▮▮▮▮▮▮▮▮ employees as well as ▮▮▮▮▮▮▮▮ customers. In these situations, we believe the SaaS charges should be apportioned based on ▮▮▮▮▮▮▮▮ access from a Chicago terminal and to ▮▮▮▮▮▮▮▮ customers with City of Chicago residential addresses only. Use by authorized loan applicants, with a residential address located outside of the City of Chicago, accessing the platform/tools from outside of the City should be apportioned outside the City for purposes of determining the taxable base. Additionally, for ▮▮▮▮▮▮▮▮ employees who work remotely and notwithin City limits, we believe an apportionment percentage to exclude their usage is also appropriate. Lastly, where banking partners are accessing the SaaS tools from a location outside of Chicago, we believe an apportionment percentage to exclude their usage is also appropriate.

REQUEST FOR RULING

On behalf of ▇▇▇▇▇▇▇▇, we respectfully request that the Department issue a PLR declaring

that:

1. The Lease Transaction Tax does not apply to tools that are categorized above as nonpossessory computer leases, where the functionally of such tools is necessary to effectuate a loan or to review customer accounts, or fall under another exemption as cited above

2. For tools, whether or not described above, that are accessed by either ▇▇▇▇▇▇▇ or ▇▇▇▇▇▇▇ customers where use takes place from physical addresses outside ofthe City of Chicago, such charges will be apportioned based on a percentage of use outside of the City, and the Lease Transaction Tax will be applied to the portion of use from physical addresses within City limits.

Thank you for your consideration of our request. Should you have any questions or require further information, please do not hesitate to contact the undersigned. Further, we respectfully request a conference prior to any formal denial of the ruling requested herein.

Very truly yours,

Jim Tauber
Managing Director
Andersen
71 S. Wacker Dr. Ste 2600
Chicago, IL 60606

(312) 357-3936 Office
(630) 215-3474 Mobile

jim.j.tauber@andersen.com